

**Prepared Testimony of
Under Secretary of Commerce for International Trade
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Before the House Committee on Appropriations Subcommittee on
Commerce, Justice, State, the Judiciary, and Related Agencies**

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Thank you Chairman Wolf, Congressman Serrano, and Members of the Subcommittee for inviting me to discuss the International Trade Administration's (ITA) efforts to ensure an equitable trading relationship between the United States and China. I appreciate your dedication to this issue, and I further appreciate your giving me the opportunity to discuss the Administration's efforts in this regard.

Mr. Chairman, I would like to begin by impressing on the Subcommittee that while this Administration is intent on fostering free trade, we recognize that trade must also be based on rules followed by all and it must be non-discriminatory. The productivity of American workers is unrivaled, yet their competitiveness can be compromised by unnatural – and government imposed – restraints on free and open markets. That is why President George W. Bush has consistently declared that free trade cannot be a one way street, saying “Every time I have a conversation with world leaders when it comes to trade, I remind them that we expect there to be a level playing field.”

The President has mandated that this be the standard with all our trading partners, including China. He and this entire Administration are mindful of the dramatic impact of inequitable trade. I can assure you, therefore, that when U.S. workers and industries suffer the injurious effects of goods imported from China in defiance of free market principles, ITA marshals all the resources at its disposal to provide the full relief intended by Congress. We do this presently and we will continue to do so in the case of China and every other country that seeks to unfairly advantage its own exporters.

Addressing Inequitable Trade Practices

The U.S. Department of Commerce is committed to strong enforcement of our trade laws, and will do everything within the parameters prescribed by Congress to ensure our domestic industries obtain effective relief from dumped and subsidized imports. Our trade remedy laws are designed expressly to protect U.S. firms from injury suffered as a consequence of such practices. Regardless of the size of the company, the Department offers a wide variety of technical assistance to U.S. producers that wish to pursue actions under the U.S. trade remedy laws. More specifically, ITA's Import Administration (IA) works extensively with businesses on a regular basis to help them understand U.S. trade laws related to dumping and foreign government subsidies and act if they are injured by those practices.

We offer pre-petition counseling to all U.S. businesses – with greater emphasis on small and medium-sized businesses that are less familiar with the process – to discuss the possibility of

dumped and subsidized imports and the remedies available to them under U.S. law. We listen to companies' concerns that certain imports are being sold below fair market value, explain the trade remedy laws, and advise the companies of the remedies available under the antidumping and countervailing duty law. We also provide publicly available trade data from the Bureau of Census to assess trends that might indicate that certain imports are entering the United States in volumes that might be a source of concern for U.S. producers.

If the companies petition the Department to initiate an investigation, ITA advises companies on what our law requires to initiate an investigation. We require sufficient evidence of dumping, including supporting documentation regarding the foreign producers' pricing practices and evidence that the imports in question are a cause of material injury, or threat of material injury, to the domestic industry. IA has developed "fill-in-the-blank" sample dumping and countervailing duty petitions to help guide potential petitioners as to what types of information will be required. We also make available the Antidumping and Countervailing Duty Handbook, which presents the U.S. antidumping and countervailing duty law and the Department's procedures and process in conducting investigations. This publication can also be accessed over the Internet: www.usitc.gov/reports.html.

Once the petitioner has drafted a petition, IA will evaluate its merits and provide comments designed to bring the petition into compliance with statutory initiation standards prior to its official submission. Maintaining confidentiality is a critical part of the entire process and the technical assistance we provide. Commerce staff members are prohibited by law from disclosing information with regard to any draft petition submitted for review and comment before it is filed.

Although the U.S. unfair trade laws respective to dumping and subsidies do not apply to services, IA's staff can direct businesses to the proper offices within the Department to handle concerns in this area.

Administering the Antidumping Law

Relief under the antidumping law takes the form of a duty collected by Customs and Border Protection (CBP) equal to the amount of dumping. Antidumping duties can be imposed only after affirmative determinations of dumping and injury by the Commerce Department and U.S. International Trade Commission, respectively. I would like to explain briefly how the antidumping law is administered in the case of China and all non-market economy countries.

As you know, dumping is defined in law as the difference between the "fair value" of the merchandise and the exporter's price for the merchandise in the United States. In the case of market economies, fair value is based on the producer's own prices or costs. However, in the case of non-market economies such as China, such prices and costs are not meaningful measures of value and are therefore not an appropriate basis for calculating fair value.

In determining whether to designate a country as a non-market economy, the Department must consider six factors under section 771(18)(B) of the Tariff Act of 1930, as amended. Specifically, we must consider the extent to which: (i) the currency is convertible; (ii) wages are

market-based; (iii) the foreign government permits foreign investment; (iv) the government owns or controls the means of production; (v) government controls prices and the allocation of resources; and, (vi) other appropriate factors.

Once the determination has been made that a country is a non-market economy, an alternative methodology must be used to calculate a meaningful estimate of fair value that is free from the state planning-related distortions inherent in non-market economies. Under this methodology, the producer/exporter submits information on its production inputs, including labor, material, and energy inputs. These amounts are the actual quantities used to produce one unit of the product, not the price or monetary cost of each material, labor, and energy input.

To value the quantity of each input, the Department bases prices for those inputs on prices from a surrogate market economy country that is at a comparable level of economic development and is a significant producer of similar merchandise. For example, in the case of labor and iron ore, only the number of hours of labor and tons of iron ore needed to produce one unit of the product are supplied by the non-market economy respondent. The wage rate and iron ore price needed to estimate labor and iron ore costs come from a market economy country, which serves as a surrogate for valuation purposes. The Department adds these derived costs to costs incurred for factory overhead, profits, and sales, general, and administrative expenses from the surrogate market economy country. Thus, the Department's estimate of fair value for the product in question is based on a methodology that captures all elements of production and distribution, but is not based in any way on non-market economy prices or financial data.

To verify that information submitted to the Department is complete and accurate, Department personnel – usually a team of two people – visit the premises of the foreign respondent and check the submitted information against the actual books and records of the company. The verification teams thoroughly probe samples of information – samples of our choosing – to determine whether various company records support and corroborate that information. For example, sales prices are checked against documentation such as invoices, sales ledgers, and payment records. Detailed records are further tied to the company's financial statements. Although we provide a general outline of the verification to the company in advance, the Department can and does select much of the information it examines without any advance notice. Thus, any information submitted to the Department may be scrutinized. While we cannot conduct true audits of companies' books, verifications are effective and often uncover inaccurate or unreported information. In addition, the verification often includes an inspection of production facilities and the interview of company personnel.

U.S. Efforts to Combat Dumping from China

In China's recent accession to the WTO, the United States preserved the alternate, non-market economy methodology. We negotiated a provision in China's protocol of accession that permits the United States to treat China as a non-market economy and use this methodology through the year 2016 for purposes of antidumping duty investigations and reviews. Thus, we sought to ensure U.S. industries the full relief for a significant length of time from unfair trade from China.

In general, dumping margins in China cases vary from case to case and thus from year to year. For example, the average of the final rates determined in antidumping investigations completed in each year since 1995 is as follows:

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003 YTD
All Dumping Rates	85%	43%	45%	147%	47%	46%	92%	42%	83%
Individual Company Rates	18%	30%	30%	145%	30%	36%	55%	25%	73%

As trade between the United States and China has grown, the number and complexity of antidumping investigations on products from China has also increased. Over the past several years, U.S. producers have expressed concern that the Department's regulations and available analytical tools may not be sufficient to handle the novel issues presented in many China proceedings. We have considered those concerns, examined our methodology and interpretation, and responded.

While some concerns raised by domestic producers reflect differences with the Department over interpretations of law or fact, in which case the producers can make use of judicial review, ITA has agreed with many domestic producers. We have taken appropriate actions as a result to ensure that antidumping laws continue to be effectively enforced. For example, U.S. producers have alleged that exporters and/or importers of merchandise from China are actively and intentionally trying to evade antidumping duties. In particular, it has been alleged that Chinese exporters and producers are misrepresenting the country of origin, falsifying invoices, and reporting customs values that are well below market value.

To address these issues, on April 7, I sent a letter to CBP Commissioner Robert Bonner suggesting that we establish an interagency task force for investigating such fraudulent activities. I also asked that we expand some of the activities that CBP is currently undertaking to stem the duty-evasion issue. For example, with respect to the anti-dumping (AD) order on imports of garlic from China, CBP developed a system to analyze the trace-metal profiles of garlic to make definitive country-of-origin determinations on garlic imports. I have asked Commissioner Bonner if it would be possible to apply the trace-metal testing program to other agricultural products that are subject to AD orders, such as apple juice concentrate, preserved mushrooms, honey, and crawfish.

Although CBP data on individual shipments is typically proprietary, CBP has recently indicated that they will provide us with information which we can place on our record to assist us

in conducting reviews of subject merchandise that originates in China, even if a respondent claims it originated elsewhere. We are also compiling and analyzing statistics on the trade flows of Chinese exports to identify trade patterns (e.g., a surge in exports from China to a third country, and a corresponding surge of imports from that third country into the United States) that suggest a high possibility of falsified country-of-origin designation, and will share those findings with CBP. We will continue to work with CBP to the extent allowed by law to pursue allegations of fraudulent invoicing and country-of-origin designation.

Addressing Concerns Related to the “New Shipper” Review

The Department has instituted a new process related to “new shippers,” and I would like to briefly explain what we are doing in that regard. In market-economy cases, any exporter that has not been previously assigned its own tariff rate as a result of an investigation or review is subject to the “all-others” rate, which is the average of the margins determined for the investigated companies. In non-market economy cases, any exporter that has not been previously assigned its own rate is subject to a countrywide rate, which often is based on “adverse facts available.” Adverse facts available are often those alleged by domestic petitioners in the case. However, in the Uruguay Round Agreement Act, Congress established a procedure by which “new shippers” can obtain their own individual antidumping duty rate on an expedited basis. A new shipper is an exporter or producer that did not export subject merchandise to the United States during the period of investigation and is not affiliated with any exporter or producer that did.

The statute provides that if a company meets the requirements for a new shipper review, (1) a bond or security will be allowed, at the option of the importer, in lieu of a cash deposit on imports from that company while the review is being conducted; (2) the review will be accelerated; and (3) an individual dumping margin or countervailing duty rate will be established at the completion of the review. As with regular administrative reviews, the results of new shipper reviews serve as the basis for assessment of final antidumping duties for merchandise entered during the review period and for a prospective cash deposit rate.

IA has heard some concern, particularly in cases on products from China, about the new shipper review process. In particular, interested parties point to overly broad bonding privileges and the new shipper cash deposit rate that diminish the discipline of an antidumping duty order, particularly where other producers export through the new shipper company to take advantage of benefits intended to apply solely to parties involved in the requested new shipper review. Once a new shipper review is initiated, and even after it is concluded, if an exporter designated as a new shipper receives a low dumping margin, it may become a conduit for exports from producers not involved in the new shipper review, as such producers would typically find it financially advantageous to channel their merchandise through the new shipper.

To address these issues, IA is issuing explicit instruction to CBP to require single-entry bonding on all entries, which will discourage the “hit and run” tactics of some importers. IA also recently issued a policy bulletin outlining a change in practice regarding new shipper reviews. The policy bulletin limits the bonding option and post-review cash deposit rate to subject merchandise produced and exported by the particular producer/exporter combination that

qualified for the review. In addition, an IA working group is modifying the new shipper questionnaire to address whether the sale or sales made by a new shipper company is a bona fide legitimate transaction.

Partnering with CBP to Protect American Interests

The CBP and ITA have a longstanding relationship, as ITA relies on CBP to collect duties and tariffs. However, we are grateful that CBP has proved a willing and excellent partner in all our efforts to directly confront attempts to circumvent our trade laws. In fact, we are working with CBP to discuss issues that have come up regarding the antidumping duty order on fresh garlic from China. We are looking to CBP to help us determine how much and what kind of CBP information the Commerce Department can place on the record during the current garlic proceeding.

Further, we are looking into how the two agencies can share information in an effort to ensure compliance with each agency's regulations. We are researching how best to alert CBP to apparent discrepancies between CBP data and data the Department receives from respondents. We are also discussing, in relation to a "new shipper" review, the difficulties in implementing cash-deposit instructions, invoicing activity, and the eligibility of certain Chinese garlic exporters.

Monitoring and Confronting China Market Access and Compliance

While the focus of this hearing is on imports from China, I know, Mr. Chairman, that you and members of the subcommittee also have a strong interest in our broader market access and compliance efforts in China. ITA, both in China and in Washington, tracks crucial market access and compliance problems to ensure timely engagement and resolution. Cases are classified as information requests, compliance (violation of a multilateral or bilateral trade agreement), noncompliance market access (market barriers other than compliance problems preventing or limiting a U.S. firm or industry sector from market entry or expansion), or commercial disputes (a U.S. company encountering problems with an existing transaction or venture).

ITA aggressively pursues China's compliance with its trade obligations. ITA's compliance office has initiated and addressed 275 investigations under these four categories of cases, which comprises 17 percent of all cases and more than any other country or economic area. [I am pleased to report that 247 of those concerns and requests have been closed.] Among our successes in 2002, China proposed restrictions on foreign express delivery providers, which threatened to roll-back several of China's services commitments. We worked with the office of the U. S. Trade Representative (USTR) and other agencies to persuade China to eliminate excessive registration requirements, weight and rate restrictions for U.S. providers, and commit to the separation of the regulatory and operational functions of the major Chinese delivery provider.

Since the fall of 2002, ITA and USTR have worked to prevent China's implementation of a proposed technical standard that would restrict U.S. fertilizer exports. In late 2002, China agreed to delay the standard indefinitely and ITA took advantage of the opportunity to organize a meeting of experts from both sides to discuss the scientific concerns of the issue in detail. We

continue to engage the Chinese on this issue. We have also been discussing with the Chinese an import ban for used equipment. Following working level exchanges in the fall of 2002, Chinese authorities revisited the ban and notified the WTO of draft measures on the importation of used equipment. We have transmitted the measures to industry for comment and we remain active on the issue.

We are continuing to actively work on 15 cases (8 compliance, 3 market access, and 4 information requests) and are monitoring another 12 cases. These cases have been opened based on inquiries from U.S. companies or monitoring activities conducted by ITA staff in Washington and China. In each instance, a team is pulled together from a number of ITA agencies and coordinates with USTR and the State Department. Within 10 working days of the case being opened, the team initiates contact with interested parties from industry while our officers in China began developing the relevant in-country facts. The team analyzes the information and determines a strategy. Team members regularly engage their Chinese counterparts, raising the issue through senior U.S. government officials where appropriate.

Because of the importance of China's market to many U.S. industries, ITA also dedicates resources to helping U.S. companies gain market access and ensure that China is living up to its WTO commitments. Through our Trade Development unit, we have experts who provide specialized, industry-focused policy support that helps create new market opportunities and enables industry to capitalize on those opportunities. Our industry experts accomplish this through formal bilateral dialogues with several Chinese agencies, particularly those covering key industry sectors that show promise for U.S. exports to China.

In addition, the Commerce Department has demonstrated expertise in assisting other countries to develop their commercial legal systems. Through our Commercial Law Development Program (CLDP), we have trained lawyers, judges, and government officials throughout Eastern Europe, the former Soviet Union, in Africa and elsewhere in Asia to promote commercial law. And we would like to do the same in China.

Effective programs can help China efficiently implement its market opening concessions, which means greater market access for U.S. firms. Other nations - Japan, the EU member states, Canada - all have substantial programs in place. As a practical matter, the Chinese are faced with choices: do they adopt a U.S., an EU, a Japanese, or another approach to regulation and the rule of law? Though all these systems may be WTO-compliant, China's utilization of the U.S. approach to matters like standards will benefit U.S. firms.

Expanding Opportunities in China

Mr. Chairman, I believe this topic plays into a broader concern that both you and the Bush Administration share: fostering trade and access to foreign markets as a means to promote growth, prosperity, rule of law, and freedom. The President has expanded our trade operations in countries throughout the world, particularly in China, to facilitate this effort. Under the auspices of the U.S. and Foreign Commercial Service (US&FCS), we have in China the largest delegation of any country in the world of what I like to refer to as our "commercial diplomats." We divide

our staff in mainland China into five sections (Beijing, Shanghai, Guangzhou, Chengdu, and Shenyang), and we have another office in Hong Kong.

On the mainland of China, there are more than 90 personnel working to assist American businesses as they pursue business in China and manage trade problems in key industry sectors. More specifically, there are 15 US&FCS Officers, 2 Market Access and Compliance (MAC) Officers, 2 IA Officers, 1 Business Industry and Security Officer, as well as 13 American contract employees and 59 foreign national Chinese employees. We have 17 additional staff members in Hong Kong.

In March 2002, the Department of Commerce established a Trade Facilitation Office in Beijing to support and coordinate compliance activities in both Beijing and Washington and to act as an “early warning” system. The staff has developed relationships with American companies and associations doing business in China, Chinese trade associations, and Chinese government officials responsible for foreign trade issues. It also has participated in a number of technical assistance exchanges designed to improve Chinese understanding of WTO trade remedy and subsidy obligations, including educating Chinese firms exporting to the United States on their responsibilities in responding to antidumping inquiries from the Department of Commerce. More such exchanges are planned.

We also have augmented our staff working on China in MAC’s Trade Compliance Center and in the China office. ITA’s China office has grown from 7 (2000) to 18 persons (2003) thanks to increased budget appropriations beginning in FY 2001. This office is tasked with the job of monitoring China’s compliance with its WTO commitments, coordinating technical assistance to China, promptly addressing trade problems, and promoting new trade opportunities for U.S. exports.

Working in the Field to Improve Opportunities and Access in China

As you can tell, ITA has dedicated an increasing share of our resources to ensuring China meets its WTO obligations and U.S. companies gain the market access to which they are entitled. I believe this is proving effective. In 2002, U.S. sales to China jumped 15 percent, the largest increase we had with any of our major trading partners. This trend is continuing in 2003, as January-February exports to China increased 31 percent. ITA will continue to provide a number of vital programs and services to facilitate increasing levels of exports to China.

- US&FCS recently launched a region-wide program called “Asia Now” designed to attract more U.S. exporters, and specifically more small and medium-sized enterprises (SMEs) to Asia, including China. It features coordinated efforts in the areas of exhibitions, research, and client recruitment.
- The Embassy Commercial section has initiated a “Breakfast with China” program in which an officer of the US&FCS will host a videoconference discussion with clients of the U.S. Export Assistance Centers (USEACs) and others to discuss commercial realities, WTO issues, and export opportunities.

- Commercial officers and other ITA staff conduct extensive outreach via speaking engagements organized by the USEACs. During a 30-day period in October-November 2002, the Senior Commercial Officer for China spoke at 10 seminars in the U.S.
- This month, the China Office has organized a similar number of seminars on changes in China's standards regime – a key issue for companies seeking to introduce their products in China.
- The China Office and Trade Information Center (TIC) are coordinating a pilot seminar called "Doing Business in China: What Your Small Business Should Know." This will be accompanied by a more targeted series on intellectual property rights (IPR) protection and augmented through an initiative that includes the production of a "toolkit" by the commercial section to provide practical information for protecting IPR in China.
- The US&FCS has recorded a web cast for U.S. exporters to China and published a brochure called "Contact China" as a guide to key organizations in China. This is complemented by information on web sites maintained by the US&FCS, China Office, and Trade Information Center.
- In conjunction with the ITA Olympic task force, US&FCS distributes a newsletter to more than 3,000 firms providing information on commercial opportunities associated with China's hosting of the 2008 Summer Olympics.

As a result of these numerous and significant outreach efforts, the ITA staff in China produced a recorded 217 export successes valued at almost \$4 billion. Thus far in FY 2003, our commercial officers have recorded 138 export successes valued at more than \$2.5 billion.

Additionally, ITA's Advocacy Center works with our US&FCS officers to help our companies combat the aggressive and, at times, questionable practices employed by other governments and companies to secure international government contracts. In addition, the Chinese procurement process is still politicized and contracts are often implicitly linked to concessionary financing, promises of technology transfer, less rigid export control laws, or promises of financial aid. The Advocacy Center marshals the resources and authority of other U.S. government agencies so that companies have a more competitive edge and can confront these international trade concerns.

The Advocacy Center has assisted in a number of wins in China. In October 2002, Secretary of Commerce Don Evans participated in a ceremony witnessing the signing of eight business agreements involving the petrochemical, telecommunications, energy, and consumer goods industry sectors. The U.S. companies represented were ExxonMobil, Motorola, Lucent Technologies, Nortel Networks, Ericsson Wireless Communications, and Axens North America. Once implemented, the total value of these commercial transactions will exceed \$4 billion. GE was also recently awarded two major contracts: a \$2.5 billion aircraft engine contract for newly designed and built regional aircraft and a \$900 million contract to supply gas turbines for installation in power plants that will be erected along the proposed West-East Gas Pipeline.

The Advocacy Center is currently working with the Trade Promotion Coordinating Committee to develop an aggressive Early Project Development program for China. In addition, the Center is working with SMEs to assist them with the problems they face in the Chinese market. I anticipate that the Advocacy Center will continue to make inroads in helping American companies secure government contracts in China. The Center is currently working on 20 active requests in China. These cases represent \$14 billion of business for American companies, covering aerospace, telecommunications, oil and gas, infrastructure, healthcare, and the environment.

Helping America's Manufacturers Compete

Mr. Chairman, on the topic of export promotion, I would like to discuss this within the framework of the manufacturing sector, which you specifically mentioned in your official announcement of this hearing. The manufacturing sector in America is the foundation on which much of our economy is built. Census Bureau statistics reflect that fact. Manufacturing generates 16 percent of the national gross domestic product and directly employs 18 million Americans, 14 percent of all workers.

Nonetheless, American manufacturing is facing one of the most significant competitive challenges in the history of this nation. Manufacturing has experienced a recession since 1997. At that time, the value of the dollar began to appreciate and that continued over the next five years, resulting in a total appreciation of 40 percent. As a result, demand for products in many of the strongest growing markets for American manufactured goods fell significantly, and the manufacturing industry has yet to recover from this recession.

The President and this entire Administration is equally troubled by the loss of a significant number of manufacturing jobs. While any loss of jobs is troublesome, the loss of manufacturing jobs represents a loss of engineering talent and experience. Our nation's manufacturers employ some of the best and brightest scientific minds, and their work has contributed to our national prosperity and economic growth.

Yet despite these significant challenges, I keep coming back to one fundamental question: does the fact that our manufacturing sector faces those challenges mean that this important sector of the economy is unable to compete in world markets? In my view, the World Economic Forum's 2002 *Global Competitiveness Report* answers that question directly. The report named the United States as the most competitive economy in the world. The report highlighted America's significant levels of research and development, innovative business community, strong venture capital markets, and commitment to innovation and technological advancement.

Each and every one of the factors cited by the World Economic Forum's report underscores the basic strength of our manufacturing sector. Throughout our history, the manufacturing sector has seized opportunity and pursued the latest science. In fact, manufacturing accounts for approximately two-thirds of private research and development expenditures. This has resulted in sustained technological innovations and tremendous

productivity gains, which in turn have fueled higher wages, living standards, and economic growth.

Given this, the Bush Administration has implemented an aggressive agenda that will cement the role of manufacturing as a driving force in increasing productivity, economic growth, and living standards. Earlier this year, Secretary Evans announced a comprehensive effort to thoroughly explore and address the long-term challenges facing our manufacturing industry. We are working to promote a robust manufacturing base across all U.S. industry sectors that will meet the challenges of the future and support the creation and retention of U.S. jobs.

I am heading up this aggressive examination of the challenges and opportunities facing American manufacturing, and I have conducted several hearings with our nation's manufacturers on these issues. During the hearings, we have examined any and all policies that are limiting the competitiveness of our manufacturers and those that will promote it. For instance, the hearings have touched on rising health care costs and the need for increased intellectual property protection, as well as the proper entrepreneurial business climate, the President's economic plan, and the Administration's trade liberalization agenda.

I am committed to conducting more of these hearings in the coming months. I intend to focus on these issues to ensure that the government is doing all it can to encourage competitiveness and promote a level playing field so that our manufacturers can win in the global marketplace, whether that is in China, Czechoslovakia, or Chile.

Connecting Trade, Human Rights, and Rule of Law in China

Finally, Mr. Chairman, I want to discuss a topic that I know is of particular concern to you. I would also like to recognize all of you, and particularly the Chairman, for your attention to this issue: human rights issues in China.

President George W. Bush and his entire Administration share your concerns that these rights are infringed upon by the government of the People's Republic of China. As the President said during his historic state visit to China last year, "China's future is for the Chinese people to decide, yet no nation is exempt from the demands of human dignity." He also reaffirmed and expressed to the Chinese President that the United States expects the Chinese people to be "free to choose how they live, how they worship and how they work."

I am proud to serve President Bush and this nation in a position from which I have the opportunity to work to make this vision a reality. Herbert Hoover, who served as the first Secretary of Commerce before being elected President, once said, "Free speech does not live many hours after free industry and free commerce die." The inverse is equally true. With free commerce comes free expression, and with free expression comes pressure on governments to protect the freedoms we enjoy. I believe that trade is firmly embedded in the foundation of a democratic and free nation, and we are working to plant the seeds for both by expanding trade and the opportunities it represents for citizens throughout the world.

At its root, trade is about human freedom – the freedom to interact, innovate, and exchange goods and services without interference from the state. Amartya Sen, a Nobel Laureate in economics, concluded in Development as Freedom that the basis for all economic development is human freedom, including the freedom from any limitation on human potential. The expression of human freedom through trade gives workers limitless possibilities for sharing the product of their toil with the outside world. It allows companies to expand, increase employment, and innovate, providing people greater economic security, stability and opportunity.

Furthermore, commerce is one of the primary means by which members of a society build the bonds of common trust and faith, which in turn allows a society to function and create the institutions and framework that sustain freedom and basic human rights. Nations that seek to fully realize the benefits of trade must ensure that their domestic infrastructure sufficiently supports free commerce. As a result, they work to enact a strong rule of law, democratic institutions, independent judiciaries, reliable regulatory agencies, dependable law enforcement, and efficient banking and social services. These improvements, in turn, encourage transparent regulatory bodies, a sound tax and pensions base, fiscal responsibility, privatization, competition, and improvements in education and health care.

I want to assure you that we are making a strong effort to promote rule of law, freedom, democracy, corporate stewardship, and human rights through trade with China. As a practical matter, China's move to join the World Trade Organization (WTO) represents a fundamental decision to pursue a higher standard of living and greater economic growth through trade. In my view, the Chinese government will be forced to embrace human freedom if it hopes to continue its path of economic growth because human freedom is the engine that drives both growth and innovation.

Developing a Human Rights, Stewardship, and Rule of Law Training Program

Mr. Chairman, in response to your leadership, we have been working with outside experts to develop a human rights, corporate social responsibility, and rule of law training program. I am pleased to announce that we launched this program last week, during the U.S. Commercial Service Worldwide Managers' Conference (with more than 200 Commercial Service managers in attendance). During this worldwide gathering of our senior managers, we raised these important issues with our managers and presented a "big picture" overview on their importance; the next step will be to take the training to the field.

The May 15 program included a discussion by expert NGOs and private sector panelists on the impact that human rights, corporate stewardship, and rule of law have on international business. Among the NGOs and private sector panelists were Transparency International, the U.S. Chamber's Corporate Citizenship Center, the Lawyers' Committee for Human Rights, and Underwriters Laboratories, Inc. This discussion was followed by a training module that covered commercial officers' responsibilities and an introduction to the full training that will be conducted at overseas locations by the ITA Human Rights Training team.

Mr. Chairman, I know you participated in the first day of the conference, and I want to thank you for your contribution and for providing additional context for this new training program. I also want to thank you for supporting an appropriation of \$500,000 for this important program.

China Represents Challenges But Also Opportunities

Mr. Chairman, recent events have reaffirmed our belief that we still have much work to do to instill liberty and freedom in the hearts of some nations. But we recognize that every nation must trade, and trade can make a significant contribution by encouraging greater openness and greater freedom as steps toward greater democracy.

I hope that my testimony today has conveyed the Bush Administration's commitment and efforts to enforce the laws Congress has enacted, as well as our commitment to promote not only a fair and equitable trading relationship, but also increased levels of openness, freedom, hope, and opportunity in China. Again, I want to thank you for holding this hearing. I appreciate frequent consultation with Congress as this dialogue provides an opportunity to fully explore the challenges and opportunities inherent in our relationship with China.

I look forward to your questions.